

DYNAMIC TOURISM FORECASTING MODEL FOR NEW JERSEY

Prepared for:

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TOURISM**

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EXECUTIVE SUMMARY

- Visits to New Jersey will be up nearly 3% in 2003 and 2.4% in 2004. New Jersey is a destination dominated by drive travel, and will benefit from war uncertainties and the wariness of consumers to fly.
- Growth in leisure visits to New Jersey will be stronger than business visits in 2003, as vacationers seek comfortable destinations. In 2004, however, business visits will be stronger than leisure visits as the economy rebounds and business travel picks up around the country.
- Overnight visits will be up more than 4% in 2003 before moderating to less than 1% in 2004, following the trend in leisure travel. Single day visits are stronger in 2004 relative to 2003, following the pattern in business travel.
- Four of New Jersey's top ten markets can be classified as high growth (Monmouth-Ocean, Washington, Newark) or recovering (Middlesex-Somerset-Hunterdon) markets. Visits originating from these areas are expected to grow faster than average over the next three years.
- Six of New Jersey's top ten markets can be classified as slowing (Atlantic-Cape May, New York, Baltimore) or lagging (Philadelphia, Bergen-Passaic, Nassau-Suffolk) markets. Visits originating from these areas are expected to grow slower than average over the next three years.
- Of the two largest origin markets, Philadelphia and New York, Philadelphia will be experiencing faster growth in disposable income. This result, in addition to Philadelphia's proximity to New Jersey, makes it an obvious choice for marketing activities.
- The origin markets with the fastest disposable income growth, and therefore the best prospects for growth over the next three years, are those internal to New Jersey, as well as Washington, DC.
- Visitor spending in New Jersey, primarily a function of relative prices in New Jersey relative to the entire U.S., is expected to remain relatively flat over the next three years.

STRATEGIC IMPLICATIONS OF OUR ANALYSIS

- **New Jersey is a “comfort” destination.** Although New Jersey tourism is driven by growth in disposable income in its origin markets, *rapidly growing income* in the key origin markets lessens New Jersey visits, as potential visitors to the state opt to travel to more distant destinations that offer foreign or otherwise more exotic vacation experiences. New Jersey gains visitors when origin economies are growing more slowly and travelers decide to stick closer to home and save some money.
- **New Jersey tourism promotion can be productively focused on a relatively few number of origin markets** that account for nearly 75% of its visits. New Jersey's prime visitor markets are located within states mostly along the eastern seaboard. New York City, Philadelphia, and Washington constitute the extremes of this area. Additionally, these markets are relatively stable over the time period underlying our examination (1992-2002). This suggests that promotional spending to other markets is likely to be less effective in delivering volumes of additional visitors to the State.

- **All of New Jersey's origin markets behave similarly with respect to shifts in local economic activity.** In economic terms, the “elasticities” expressing the response of New Jersey visits to changes in income do not vary among the top origin markets. However, this result occurs under the condition that everything else, including promotional activities, is held constant. Therefore, there may be an advantage to be gained in shifting promotional activities among origin markets. Offering promotions to origin markets that have shown strong growth in visits in the past, but are expected to post slower income growth over the forecast period, may spur visits from that origin market. The addition of marketing data into the model would be a next step to determining the relationship between promotional activities and visits to New Jersey.
- **New Jersey's origin markets have different propensities to visit New Jersey, regardless of changes in underlying economic activity in their area.** Individuals from Monmouth-Ocean are most likely to visit New Jersey, while those from Bergen-Passaic and Middlesex-Somerset-Hunterdon are a somewhat distant second and third. The next group of origin markets includes Newark, Philadelphia, Nassau-Suffolk, and Baltimore, which are similar in their propensity to visit New Jersey. Since we had no data on promotional activities to different origin markets, it is not possible to determine if this difference in propensity to visit New Jersey is the result of marketing efforts. If not, it would make sense to target marketing efforts to areas that have a lower propensity to visit New Jersey. Those origin markets that have a high propensity to visit New Jersey will do so anyway. Again, this finding is based on the assumption that the propensities to visit New Jersey are not already the result of promotional activities.
- **Travelers to New Jersey do not appear to consider the state either a great travel bargain or an especially expensive destination.** They do not travel to New Jersey (or avoid doing so) based on any preconceived notion of the relative expense of a vacation there compared to other areas. However, in recent years, New Jersey visitors have increased their spending in the state once they arrived and found that prices compared favorably with the U.S. as a whole.

THE MODEL

Global Insight has completed construction of a model of New Jersey Tourism consistent with the historical data available from D.K. Shifflet & Associates, Global Insight databases, and other sources. We have explored the availability of additional data that could be pertinent for our model-building, completed a final version of the model, and also a final forecast of both visits to, and visitor spending in, New Jersey. In addition, total visits to New Jersey are broken out into business and leisure visits, as well as single day visits and overnight visits. This final report summarizes our work on this project. It reviews the methodology we employed, and lists the key findings we have identified with respect to New Jersey tourism, and presents our final forecast of tourist visits and spending in New Jersey. Finally, it suggests steps that could be taken to enhance the planning capabilities offered by the model, and recommends a set of “next steps” that can help in improving the utility offered by the model to the New Jersey Office of Travel and Tourism.

Modeling Goals

In defining our role in the model-building process, Global Insight identified several key goals for the assignment:

- The model would formalize the process of forecasting future tourist visits and spending in New Jersey by focusing on visitors from the state's 10 key markets. In addition to total tourist visits, the model would break out visit forecasts for each of the 10 key markets.

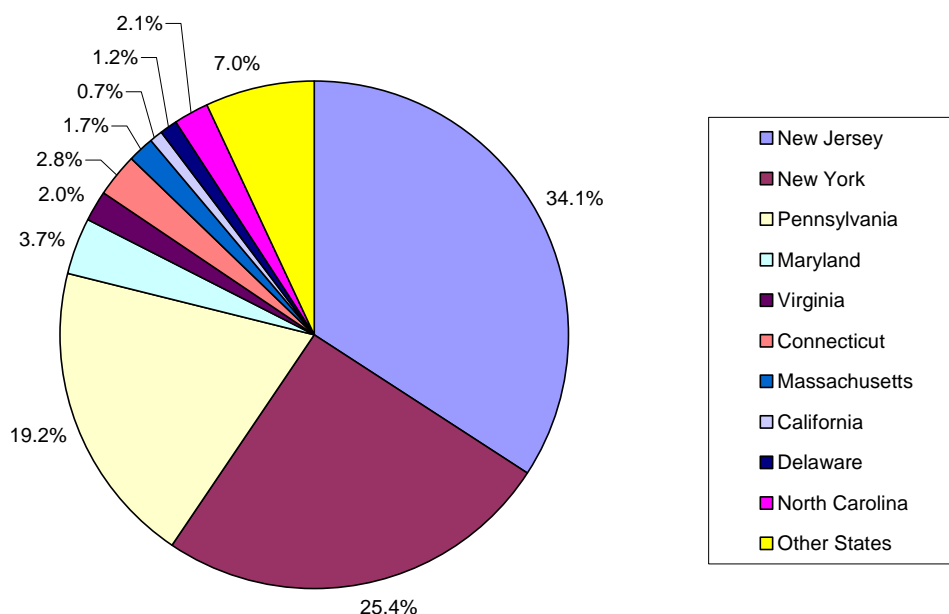
- The model would help the New Jersey Office of Travel and Tourism to better understand the elements that brought tourists to New Jersey, and it would consequently explain the prospects for tourism in the state and assist the promotion of the state to key markets.

A number of these elements interface with the goals of the two other parts of the assignment—the development of the TSA, and the travel and tourism employment analysis. All told, the study would assist the New Jersey Office of Travel and Tourism in determining the optimal allocation of its advertising budget and evaluating new tourism development policies.

Identification of New Jersey’s “Top Ten” Markets

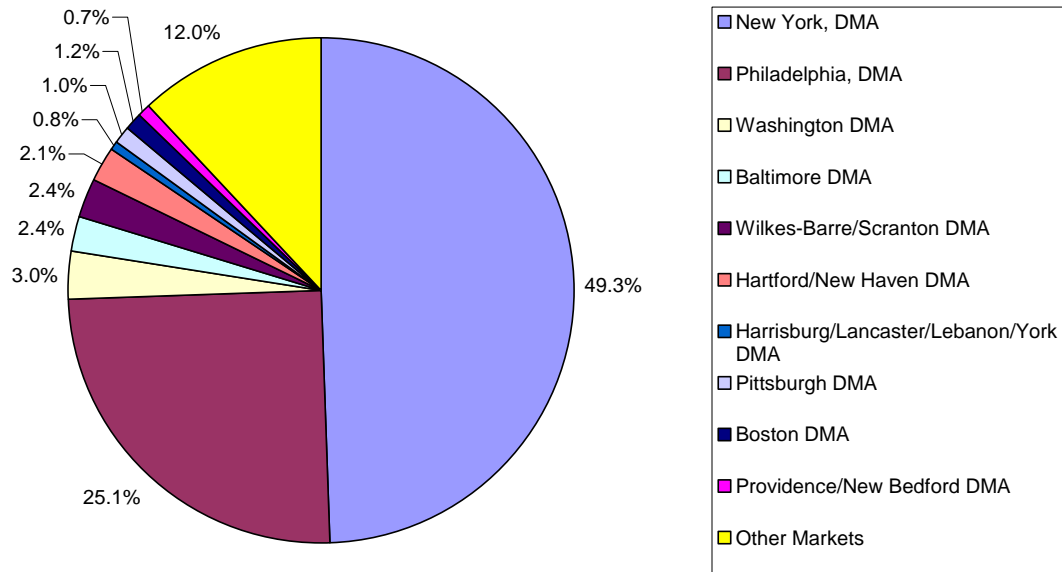
We determined New Jersey’s top markets by analyzing origin data on visits to New Jersey available from D.K. Shifflet & Associates. We examined visits to New Jersey by state of origin, by MSA of origin, and by DMA of origin. In 2002, 34% of all visits to New Jersey originated from within the state. The following charts present visit shares by origin:

Origin of Visits by State, 2002

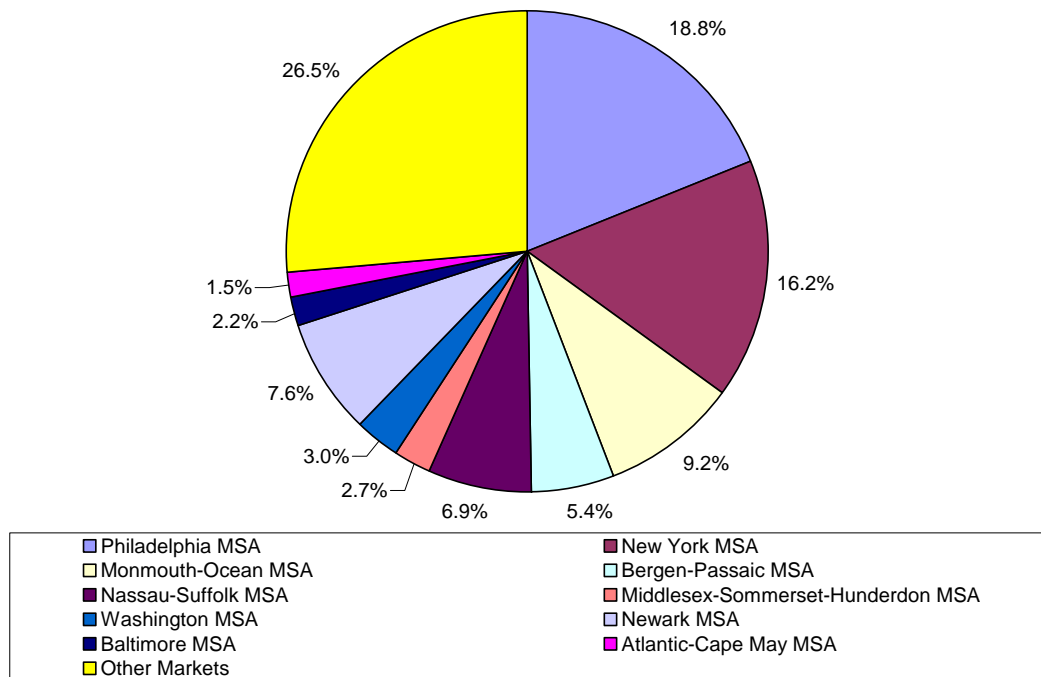


Clearly, in terms of the state of origin, the majority of visitors come from New Jersey itself, New York, and Pennsylvania. In fact, the fourth largest origin is all the other states not appearing in the top ten. Similarly, in terms of DMAs of origin, almost half of all visitors come from New York, and another 25% come from Philadelphia. Again, the next largest origin is all other DMAs not appearing in the top ten. Only when we look at MSAs of origin do we get six of the top ten segments with shares of greater than five percent. Approximately one-quarter of all visits originated from the all other markets segment. Since visits by MSA of origin offered the most interesting distribution, we chose to focus on this segmentation for our modeling.

Origin of Visits by DMA, 2002



Origin of Visits by MSA, 2002



The top origin markets explicitly included in our study are listed in the following table. We found that four of the “top 10” origin markets were located within the state of New Jersey itself—Monmouth-Ocean, Middlesex-Somerset-Hunderdon, Newark, and Atlantic-Cape May. Together, these top 10 markets accounted for 73.5% of total New Jersey visits in 2002.

Top Origin Markets, by Visits, 2000-2002

Number of Visits (000)	2000	2001	2002
Philadelphia MSA	11,953	10,162	11,452
New York MSA	7,272	6,028	9,858
Monmouth-Ocean MSA	5,580	4,970	5,565
Washington MSA	3,162	4,719	3,290
Bergen-Passaic MSA	3,100	4,707	4,221
Newark MSA	3,057	3,913	1,630
Nassau-Suffolk MSA	3,212	2,652	1,849
Middlesex-Somerset-Hunderdon MSA	3,119	2,527	4,634
Baltimore MSA	1,841	1,290	1,326
Atlantic-Cape May MSA	1,135	1,057	888
All Other Visits	18,569	17,712	16,104
Total	61,999	59,739	60,815

INITIAL MODELING HYPOTHESES

Based on our extensive experience with similar types of modeling exercises, we developed a set of initial modeling hypotheses to guide the development of our model. Each of these hypotheses linked visits to New Jersey from the originating markets with a potential determinant of tourism activity. Our intention was to test each of these hypotheses during the modeling process.

Real Disposable Income by Origin Market

Real disposable income is the key determinant of consumer spending, and we believed it should play an important role in determining visits to New Jersey. We anticipated that growth in real disposable income in each origin market would contribute to increased visits to New Jersey from that market.

The concept of real disposable income is preferable to real personal income, since disposable income is a measure of income after taxes, which more accurately reflects the consumer’s ability to spend. That is

another reason we chose to model visits from origin MSAs, since disposable income is not forecast at the county level. Since we would aggregate county-level data to obtain measures for each DMA, we would have been restricted to using real personal income. This could introduce a small amount of error in the modeling process to the extent that state or local personal income tax policies differ among the top origin markets.

Unemployment Rate by Origin Market

The determinants of economic activity vary significantly from one market to the next. While Washington, DC residents enjoy the relative stability of federal government employment, for example, New York City employment is dependent on more cyclical financial market activity. In other areas, military base activity or manufacturing is key. One way to incorporate these differences into the model is to use the local unemployment rate to drive visits to New Jersey. Our expectation was that higher rates of origin unemployment would reduce the level of New Jersey visits.

Consumer Costs in New Jersey Relative to Other Potential Destinations

International trade theory suggests that travelers considering international travel can be influenced by relative costs. Typically, relative exchange rates are the key elements in these decisions. We wanted to see whether travel to New Jersey might be influenced by the relative price of consumer purchases there relative to other possible domestic destinations. To do this, we derived a relative price measure by examining changes in the ratio of the consumer price index (CPI) in New Jersey relative to the total U.S. CPI. Our expectation was that an increase in the ratio (higher prices in New Jersey) could discourage travel there from other origins.

Consumer Costs in New Jersey Relative to the Origin Market

In the same way, we examined the impact that consumer prices in New Jersey relative to the origin market had on tourist visits to New Jersey. In other words, would travelers be drawn to New Jersey by the prospect of paying less for goods there than in their home market? We used CPI for both New Jersey and the origin state in constructing these measures. Our hypothesis was that increasing prices in New Jersey, relative to the origin market, might discourage travel to the state.

Corporate Profits

When businesses are making money, they are more likely to encourage travel. One way to incorporate that into our model is to use a measure of corporate profits. Our expectation was that higher levels of corporate profits would lead to more travel, and thus more business-related visits to New Jersey.

Economic Activity in New Jersey Relative to Other Destinations

If the state of New Jersey were booming relative to the rest of the country, we would expect more business activity, and more business-related travel to New Jersey. To examine this potential relationship, we examined employment in New Jersey relative to the entire country, as well as real gross state product (like GDP for a state) in New Jersey relative to real GDP. We anticipated that a more rapid pace of economic activity in New Jersey relative to the entire country would lead to more business-related visits to New Jersey.

MODELING METHODOLOGY

Once we had identified the “top 10” origin markets for New Jersey travelers, we proceeded to build an econometric model of this activity and, in the process, to test the validity of the individual hypotheses described above.

Data Utilized

The key dataset utilized in our analysis was the quarterly and annual visit data, as well as the visit by origin market data, published by D.K. Shifflet & Associates. All of this data was available from 1992 to 2002. We relied on the data from D.K. Shifflet & Associates for the following concepts:

- Total visits to New Jersey
- Business visits to New Jersey
- Leisure visits to New Jersey
- One-day visits to New Jersey
- Overnight visits to New Jersey
- Visits to New Jersey from the 10 top origin markets
- Average daily spending per person on trips to New Jersey

Finally, we utilized Global Insight economic and demographic data including

- Real personal income
- Consumer price indices
- Employment
- Population
- Corporate profits

Modeling Estimation Approach Employed

In order to take maximum advantage of the richness of the visits by origin market data, and to incorporate variations in visitor behavior from the individual origin markets, we chose to utilize a pooled, cross-sectional analytical technique for our estimation and modeling. This technique afforded us the ability to incorporate behavior that varied over time as well as allowing us to examine variations in visits from individual origins. With this technique, the entire model system is estimated at once, combining all historical visit data across all origins.

MODELING RESULTS

The model forecasts total visits to New Jersey by 10 MSA origin markets, total visits, total visits for business-related reasons vs. for leisure, total visits for a single day stay vs. overnight stay, and average daily spending per person.

Visits to New Jersey by Origin Market

The number of visits to New Jersey by origin market is modeled as a function of real disposable income in the origin market. This variable defines two explanatory concepts, each accounting for a specific behavior on the part of New Jersey visitors.

Real disposable income in the origin market – As anticipated, rising real disposable income in the origin market is a strong positive contributor to visits to New Jersey. Over time, growing income tends to bring additional visitors to New Jersey from all of the origin markets.

The change in real disposable income in the origin market – As noted, tourist visits to New Jersey is positively correlated with changes in real disposable income in the origin market. However, we also found that the *rate of change* in real disposable income is important as well. Our analysis indicates that acceleration in the change of real disposable income in the origin market tends to reduce the growth of visits to New Jersey. This variable plays an important role in distributing the impact of growing income over time. As income increases, the growth in visits to New Jersey tends to come in periods when income grows more slowly than when incomes increase more rapidly.

This result, while surprising at first, makes perfect sense as one thinks about the position that New Jersey occupies in the set of possible tourist destinations. Perhaps one could characterize New Jersey as a “comfortable destination.” It is easy to get to (84% of visitors drive to New Jersey), and its attractions include historical sites, state parks and related outdoor activities, physical beauty, casinos, and Atlantic Ocean beaches. New Jersey is a vacation destination that is easy for a family in one of its top origin markets to get to, and once there, offers a variety of activities suitable for a typical family.

There are also a number of vacation attributes that New Jersey does not offer:

- First, New Jersey is not a far away destination, requiring a lot of travel time and money.
- Second, New Jersey is not known for sophisticated city attractions such as museums and restaurants (although it does benefit to some degree from tourist visits to New York City).
- Finally, New Jersey is not an “exotic” destination, such as a foreign country, or even to an alternative destination in the U.S. offering an environment significantly different than commonly found in the Atlantic coast states (for example, the Southwest).

It appears that periods in which income growth is accelerating encourage tourists to seek out exotic and/or more expensive destinations. Conversely, when the growth of real disposable income slows in a more modest economic environment, travelers scale back their enthusiasm for such alternative destinations, and this works to New Jersey’s favor.

As a side note, it will be interesting to see whether the upsurge in patriotism following 9/11 will work to New Jersey’s favor during the next few years. Although it is not possible yet to test this theory, our analysis hints at the possibility of such a result. Even today (eighteen months after 9/11), airline traffic remains well below its level prior to the attacks. Although part of this is related to business travel, many Americans are far more reluctant to hop on a plane and fly off to some distant and intriguing tourist destination. Some of them may simply drive their families to New Jersey instead for the annual vacation.

Unconfirmed Initial Modeling Hypotheses

Our analysis was unable to confirm several other initial hypotheses set out in the earlier part of this report. In particular:

Consumer costs – Consumer costs in New Jersey relative to other potential destinations were not significant in explaining the number of visits. Nor were costs relative to the origin market a significant factor. It does not appear that domestic travelers weigh relative costs heavily in their decision to travel to New Jersey as opposed to other destinations. Travelers apparently do not consider New Jersey to be either a great travel bargain or a particularly expensive destination.

Unemployment rate – The unemployment rate in the origin markets was not a significant factor in determining visits to New Jersey.

Total Visits to New Jersey

Total visits to New Jersey were calculated as the aggregate of the individual origin markets, with the assumption that the all other segment would grow at the same rate as the sum of the origin markets. We do not have variables to drive the all other segment in the case of the MSA origin markets.

In addition to total visits to New Jersey, visits were also split into business and leisure, as well as single day and overnight visits. The table below illustrates the variables that were included in our analysis of each sub-category, and the corresponding impact, either positive or negative, that the variable had on the number of visits.

Variables Driving Sub-Categories of Visits and Corresponding Impact

	Total Visits	Real GSP/GDP	Corporate Profits	Unemployment Rate
Business Visits	+	+	+	
Leisure Visits	+			-
Single Day Visits	+	+	+	
Overnight Visits	Identity			

Business Visits to New Jersey

The number of visits to New Jersey for business purposes is modeled as a function of total visits to New Jersey, the economic activity in New Jersey relative to the nation, and corporate profits.

Total visits to New Jersey – An increase in total visits to New Jersey is correlated with an increase in business visits to New Jersey.

Real gross state product in New Jersey relative to real GDP – As anticipated, a measure of economic activity in New Jersey, relative to the nation, is an important determinant in explaining the number of business-related visits to New Jersey. This particular measure of relative economic activity in New Jersey did the best job explaining increases in business-related travel to New Jersey.

The change in real before-tax corporate profits – Our analysis indicates that accelerating corporate profits leads to an increase in business-related travel. This measure of economic activity is for the nation, not New Jersey in particular. In this case, a rising tide lifts all boats, and New Jersey gets its share of increased business-related visits when business profitability around the country is strong.

Leisure Visits to New Jersey

The majority of visits to New Jersey (80% in 2002) are for leisure purposes. The number of visits to New Jersey for leisure purposes is modeled as a function of total visits to New Jersey, as well as the unemployment rate.

Total visits to New Jersey – An increase in total visits to New Jersey is correlated with an increase in leisure visits to New Jersey.

The unemployment rate – An increase in the rate of unemployment will decrease the number of leisure visits to New Jersey. This finding is different from our finding for total visits by origin markets. We found that the unemployment rate in the origin market had no impact on the number of total visits to New Jersey.

Single Day Visits to New Jersey

Single day visits to New Jersey were modeled in the same way as visits for business-related purposes, with the assumption that single day visitors are primarily business travelers.

Total visits to New Jersey – An increase in total visits to New Jersey is correlated with an increase in single day visits to New Jersey.

Real gross state product in New Jersey relative to real GDP – Similar to business-related visits, a measure of economic activity in New Jersey, relative to the nation, is an important determinant in explaining the number of single day visits to New Jersey.

The change in real before-tax corporate profits – Our analysis indicates that accelerating corporate profits leads to an increase in single day travel.

Overnight Visits to New Jersey

Overnight visits to New Jersey were modeled as total visits less single day visits. We tried to model overnight visits in the same way as leisure visits, but found the results less accurate than by simply taking the residual.

Average Daily Spending per Person in New Jersey

As part of our analysis, we also modeled the determinants of spending by New Jersey tourists. Our expectation was that this spending would be a function of the real disposable income, and of consumer prices in New Jersey relative to other destinations. In fact, what we discovered was that relative price was the key indicator of average spending per visit, while real disposable income had no measurable impact.

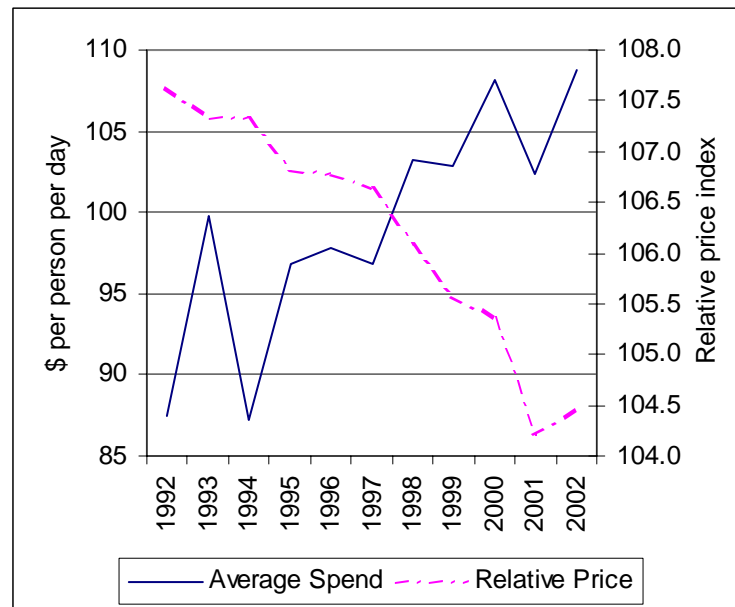
This suggests that there is a two-stage process working for visitors to New Jersey. First, they make their decision to travel to New Jersey. As we have noted above, the economics of this decision are based on real disposable income, both the change in the level and the change in the growth rate. They do not come to New Jersey based on any expectation that prices there are either more or less expensive than in their origin. Once in New Jersey, however, some visitors may find that their dollar goes a bit further there than in their origin market, and at that point they are encouraged to step up their spending level.

At the aggregate level, this behavior is very clear. The following chart clearly shows the relationship between average spend per visit to New Jersey and the New Jersey CPI relative to the CPI for the U.S. From 1992 to 2002, New Jersey prices rose more slowly than those for the U.S. as a whole. During that time, average spending per visit tended to increase. This is not a perfect relationship, but in general, consumer purchases have become relatively less expensive in New Jersey, and as a result, average spending by visitors has increased.

Although this behavior is consistent with rational consumer behavior, the shifts in relative prices are fairly small, as can be noted from the right vertical axis. Consequently, the measured impact (or elasticity) of on average visitor spending is very strong. While we have used this relationship in forecasting future visitor spending in New Jersey, we have attenuated its strength so as not to over-estimate the size of future spending growth.

For the period from 2002 to 2005, prices in New Jersey are expected to grow mostly in line with prices in the U.S. as a whole. This will lead to relatively flat average spending by visitors to New Jersey.

Spending vs. Relative New Jersey CPI



NEW JERSEY VISIT AND SPENDING FORECASTS

The forecasts for total visits and visits by MSA of origin were produced at both an annual and quarterly frequency. The forecasts for visits broken out by single day and overnight, as well as business and leisure, were prepared at an annual frequency only. Although we received data at a quarterly frequency for these concepts, the modeling results at the annual frequency were more reliable. The average spending forecast is also at an annual frequency.

Quarterly Forecast

The following table presents our forecast for New Jersey total visits and visits by MSA of origin at a quarterly frequency for the next three years.

Quarterly Visit Forecast by MSA of Origin

	2003	2003	2003	2003	2004	2004	2004	2004	2005	2005	2005	2005
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Number of Visits (000)												
Philadelphia MSA	2,148	2,632	3,705	2,794	2,318	2,753	3,756	2,744	2,271	2,688	3,658	2,669
% change year ago	-0.7	0.4	-10.8	11.2	7.9	4.6	1.4	-1.8	-2.0	-2.3	-2.6	-2.7
New York MSA	1,850	2,302	3,286	2,372	1,968	2,364	3,260	2,277	1,897	2,282	3,152	2,206
% change year ago	-0.6	2.0	-8.1	9.7	6.4	2.7	-0.8	-4.0	-3.6	-3.5	-3.3	-3.2
Monmouth-Ocean MSA	1,077	1,320	1,921	1,375	1,182	1,406	1,986	1,376	1,179	1,400	1,973	1,367
% change year ago	2.5	3.6	-4.9	12.7	9.8	6.5	3.3	0.0	-0.2	-0.4	-0.6	-0.7
Bergen-Passaic MSA	642	778	1,068	807	691	813	1,083	793	678	797	1,060	776
% change year ago	3.3	3.2	-10.6	11.8	7.7	4.5	1.4	-1.7	-1.9	-1.9	-2.1	-2.1
Nassau-Suffolk MSA	806	953	1,334	1,022	863	986	1,331	985	833	953	1,289	956
% change year ago	1.1	-1.3	-12.9	10.4	7.1	3.4	-0.2	-3.6	-3.5	-3.4	-3.2	-3.0
Middlesex-Somerset-Hunderdon MSA	511	608	820	702	561	648	848	702	560	645	843	697
% change year ago	66.1	62.9	38.7	96.3	9.7	6.5	3.3	0.0	-0.2	-0.4	-0.5	-0.6
Washington MSA	400	510	727	593	436	538	741	586	432	534	736	582
% change year ago	14.6	20.6	8.3	46.3	9.1	5.4	2.0	-1.2	-0.9	-0.7	-0.6	-0.8
Newark MSA	902	1,144	1,611	1,109	970	1,194	1,633	1,089	951	1,170	1,597	1,063
% change year ago	3.1	7.8	-4.2	9.0	7.5	4.4	1.3	-1.8	-1.9	-2.0	-2.2	-2.4
Baltimore MSA	247	306	434	325	267	319	438	318	261	313	430	313
% change year ago	-1.3	0.7	-9.8	11.8	8.0	4.4	0.9	-2.3	-2.2	-1.8	-1.7	-1.6
Atlantic-Cape May MSA	161	203	296	220	174	212	301	217	173	213	303	218
% change year ago	-4.0	-0.3	-8.0	12.8	8.2	4.5	1.4	-1.2	-0.4	0.5	0.9	0.7
Total Visits to NJ	11,893	14,629	20,678	15,396	12,827	15,277	20,914	15,081	12,562	14,956	20,459	14,753
% change year ago	3.6	5.1	-6.3	15.4	7.9	4.4	1.1	-2.0	-2.1	-2.1	-2.2	-2.2

Annual Forecasts

The following table presents our annual forecasts for New Jersey visits by MSA of origin for the coming three-year period, from 2003 through 2005.

Annual Visit Forecast by MSA of Origin

	2001	2002	2003	2004	2005
Number of Visits (000)					
Philadelphia MSA	10,162	11,452	11,280	11,571	11,285
% change	-15.0	12.7	-1.5	2.6	-2.5
New York MSA	6,028	9,858	9,810	9,870	9,536
% change	-17.1	63.5	-0.5	0.6	-3.4
Monmouth-Ocean MSA	4,970	5,565	5,693	5,949	5,920
% change	-10.9	12.0	2.3	4.5	-0.5
Bergen-Passaic MSA	4,719	3,290	3,294	3,380	3,312
% change	49.3	-30.3	0.1	2.6	-2.0
Nassau-Suffolk MSA	4,707	4,221	4,116	4,166	4,030
% change	51.9	-10.3	-2.5	1.2	-3.3
Middlesex-Somerset-Hunderdon MSA	3,913	1,630	2,642	2,758	2,746
% change	28.0	-58.3	62.1	4.4	-0.5
Washington MSA	2,652	1,849	2,230	2,302	2,285
% change	-17.4	-30.3	20.6	3.2	-0.7
Newark MSA	2,527	4,634	4,766	4,885	4,781
% change	-19.0	83.4	2.8	2.5	-2.1
Baltimore MSA	1,290	1,326	1,312	1,341	1,317
% change	-29.9	2.7	-1.1	2.3	-1.8
Atlantic-Cape May MSA	1,057	888	880	903	908
% change	-6.8	-16.0	-0.9	2.7	0.5
Total Visits to New Jersey	59,739	60,815	62,597	64,099	62,730
% change	-3.6	1.8	2.9	2.4	-2.1

2001-2002 is history as reported by D.K. Shifflet & Associates

D.K. Shifflet reported that visits to New Jersey rose by 1.8% in 2002, which represents a favorable year for New Jersey tourism. Over the past 10 years, on average, the number of visits has declined by almost two percent per year. Growth in 2002 was paced by big increases from a number of larger markets, including Philadelphia, New York, Monmouth-Ocean, and Newark, which helped counter the decline in visits from Bergen-Passaic, Nassau-Suffolk, and Middlesex-Somerset-Hunderdon. Growth from the “other” category declined by 9% and accounted for 27% of total visits.

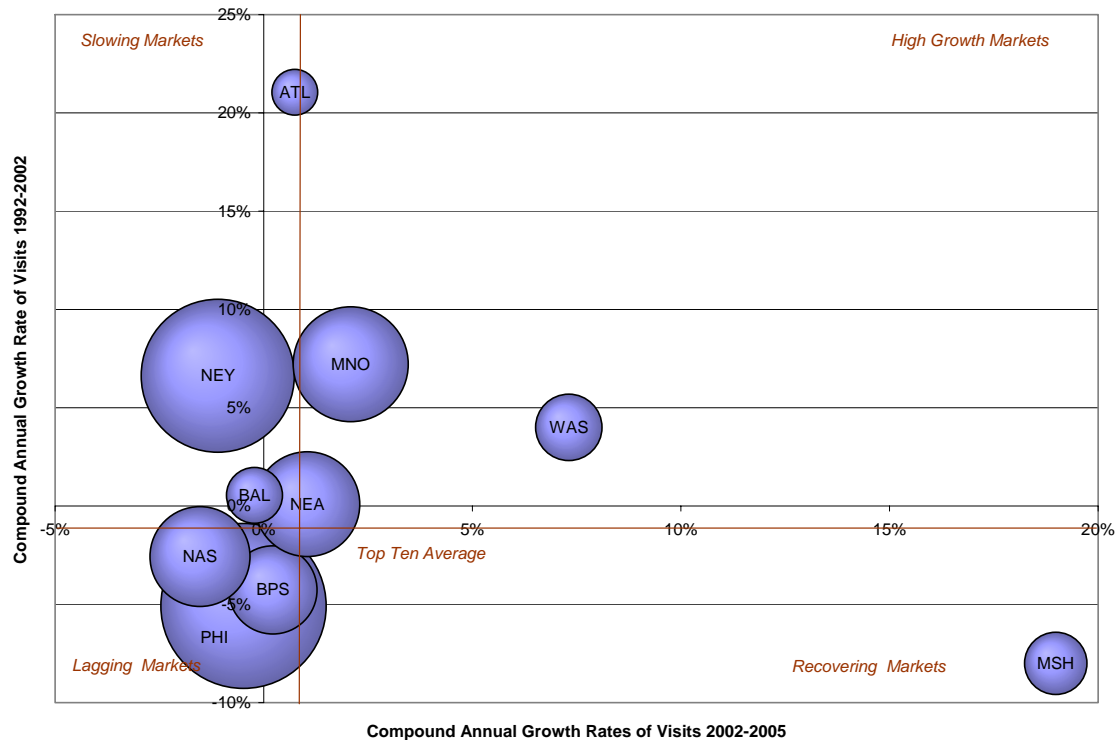
With airline traffic still down, the war in Iraq causing concern, and the economy stalling in 2003, we expect the number of visits to New Jersey will increase by nearly 3% this year, as travelers opt for comfortable destinations within driving distance.

In terms of visits from New Jersey’s top origin markets, we anticipate divergent growth rates over the next several years. Local markets including Middlesex-Somerset-Hunderdon, Monmouth-Ocean, Newark, and Atlantic-Cape May will show the most strength in tourism, as will Washington, DC. The typically larger markets of Philadelphia and New York will be weaker than average over the next three years. However, Philadelphia will post stronger growth over the coming three years than it has averaged

over the past ten years. Overall, growth is forecast to increase by a compound average annual rate of 1% during the 2002-05 period, stronger than the almost 2% per year decline from 1992-2002.

Four of New Jersey's top ten markets can be classified as high growth (Monmouth-Ocean, Washington, Newark) or recovering (Middlesex-Somerset-Hunderdon) markets. Visits originating from these areas are expected to grow faster than average over the next three years. Six of New Jersey's top ten markets can be classified as slowing (Atlantic-Cape May, New York, Baltimore) or lagging (Philadelphia, Bergen-Passaic, Nassau-Suffolk) markets. Visits originating from these areas are expected to grow slower than average over the next three years.

Visits by MSA of Origin, History and Forecast



ATA	Atlanta MSA	NAS	Nassau-Suffolk MSA
BAL	Baltimore MSA	NEA	Newark MSA
BPS	Bergen-Passaic MSA	NEY	New York MSA
MNO	Monmouth-Ocean MSA	PHI	Philadelphia MSA
MSH	Middlesex-Somerset-Hunderdon MSA	WAS	Washington MSA

The following table shows the breakout between business and leisure visits, as well as single day and overnight visits, and average spending.

Annual Forecasts by Type of Visit and Average Spending

	2001	2002	2003	2004	2005
Number of Visits (000)					
Total Visits to New Jersey	59,739	60,815	62,597	64,099	62,730
% change	-3.6	1.8	2.9	2.4	-2.1
Visits - Business	12,418	12,435	12,643	13,119	12,734
% change	-5.9	0.1	1.7	3.8	-2.9
Visits - Leisure	47,321	48,380	49,953	50,980	49,996
% change	-3.0	2.2	3.3	2.1	-1.9
Visits - Single Day	32,700	34,623	35,304	36,550	35,617
% change	-9.6	5.9	2.0	3.5	-2.6
Visits - Overnight	27,038	26,192	27,292	27,549	27,113
% change	4.7	-3.1	4.2	0.9	-1.6
Average Visitor Spend per Person Day (\$)	102.38	108.78	108.35	108.08	108.30
% change	-5.3	6.3	-0.4	-0.2	0.2

Growth in leisure visits to New Jersey will be stronger than business visits in 2003, as vacationers seek comfortable destinations. In 2004, however, business visits will be stronger than leisure visits as the economy rebounds and business travel picks up around the country. Overnight visits will be up more than 4% in 2003 before moderating to less than 1% in 2004, following the trend in leisure travel. Single day visits are stronger in 2004 relative to 2003, following the pattern in business travel. Visitor spending in New Jersey, primarily a function of relative prices in New Jersey relative to the entire U.S., is expected to remain relatively flat over the next three years.

FORECAST UPDATES AND MODEL ENHANCEMENTS

We propose that this model be updated once a year and that we provide a new forecast (or set of forecasts) at that time. During this process, we would incorporate the most recent year of travel and economic data, and re-estimate the existing model, considering any additional modifications that seem appropriate at the time.

As mentioned above, we were unable to test our initial hypothesis regarding the impact of promotional spending in the various markets. We would like very much to be able to incorporate this analysis into a future version of the model because it would greatly enhance the usefulness of the model to the New Jersey Office of Travel and Tourism. Consequently, we encourage the New Jersey Office of Travel and Tourism to look into the possibilities of collecting this data going forward, and recovering it for past years. If this data could be made available, we would definitely want to include it in the model structure in order to enable the New Jersey Office of Travel and Tourism to explore alternative future promotional spending strategies.

In the future, the model should be viewed as a tool to evaluate potential development and marketing campaigns. As the basic model infrastructure has been built, the ability to run scenarios with various assumptions is relatively efficient and would continue to provide value to the New Jersey Office of Travel and Tourism as various decisions are weighed.